Strengthens PAYGO Rules that Require Congress to Offset the Cost of New Spending
February 4, 2010
Washington, D.C Today, Congressman Joe Sestak (PA-07) voted to strengthen "pay-as-you-go" (PAYGO) rules that he first voted to enact on his second day in Congress. The bill takes a major step toward aggressively reducing the deficit by making it public law rather than a House rule that Congress must find five and ten year offsets for all new legislation which reduces revenues or expands entitlement spending. To ensure compliance, the legislation includes an enforcement mechanism that withholds spending for mandatory programs if Congress has not paid for the costs of all legislation enacted during the year.
Congressman Sestak voted for the bill because it is an essential first step toward ensuring stronger fiscal discipline, but made it clear that he believes much more aggressive measures are necessary as the deficit is projected to total \$8.5 trillion over the next ten years despite the President's recently published budget proposal. For example, the Congressman has consistently argued that PAYGO rules, including today's bill, should go further by applying PAYGO requirements on discretionary spending and not only mandatory spending.
"Ultimately, I voted for today's bill because it is a concrete commitment to restoring fiscal security by strengthening PAYGO rules which I have supported since my first day in office," said Congressman Sestak. "Strengthening this rule ensures that we are able to implement critically needed programs for American families, while ensuring our nation's fiscal health.

"Although the President's recent proposals to reduce the deficit are important including establishing a fiscal commission— in the end the duty falls on Congress to make the difficult but necessary decisions that will secure our long-term economic security. Today's vote to strengthen PAYGO rules is an important first step, but we must do more."
In addition to supporting passage of a strengthened PAYGO rule, Congressman Sestak has also supported responsibly addressing entitlement spending and the misaligned tax policies that were inherited from the previous Administration; closing down corporate tax loopholes that ship jobs overseas and cost the government billions in lost revenue; replacing the earmark process with a competitive grant making system; and decreasing fraud through increased oversight.
Specifically, the Congressman supports responsibly addressing entitlement spending by, for example, funding Social Security without changing benefits by acknowledging that the wealthiest one percent of U.S. households now own more than 30 percent of the nation's private wealth. He also believes we should examine making permanent proposals such as a tax on financial institutions to use to pay back TARP.
Congressman Sestak first voted to implement PAYGO rules in 2007 after a Republican-controlled Congress let PAYGO rules expire in 2002, contributing to the dramatic

turnaround from a projected 10-year surplus of \$5.6 trillion when Clinton left office to projected deficits of over \$11 trillion when Bush left office.

Like H. J. Res. 45, the 2007 rule required that Congress find an offset for all mandatory spending which increased entitlement spending for programs like Social Security, Medicare, and Medicaid or reduced revenues by cutting taxes. However, that rule did not include an enforcement mechanism and required Congressional re-approval every new session of Congress. Subsequently, Congress passed a stronger PAYGO rule in January 2009 which aligned the House's PAYGO rules with those of the Senate. At that time, Congressman Sestak called for statutory PAYGO requirements that applied to both mandatory and discretionary spending.

The statutory PAYGO bill, which passed today, will further strengthen the House and Senate PAYGO requirements and ensure its enforcement. Specifically, the bill includes the following provisions:

- Establish new statutory pay-as-you-go (PAYGO) rules for budget enforcement. It requires legislation affecting mandatory spending or tax revenue to be "budget neutral," or not increase the deficit. The new statutory PAYGO rules would be enforced through sequestration, i.e., automatic, across-the-board spending cuts to bring the budget back into balance.
- Require the Office of Management and Budget (OMB) to maintain a PAYGO ledger and to determine whether a sequestration would be needed. Under the bill, OMB would be required to develop estimates of the average annual impact of legislation over a 10-year period consisting of the upcoming budget year and nine subsequent years. The average would be recorded on the PAYGO ledger for each fiscal year through FY 2013.
- If the amounts recorded on the PAYGO ledger for the budget year amount to a net cost, the president would order a sequestration of certain mandatory programs excluding those declared exempt by this bill.
- Include an exemption for legislation designated as emergency, as Congress did in the American Recovery and Reinvestment Act.
 - Allow legislation providing that designated current policies be extended without offsets.

The exclusions cover high priority actions for which the Congress has supported yearly extensions, including:

- 1. Medicare physician payments (5 year exemption)
- 2. Alternative Minimum Tax (2 year exemption)
- 3. Extension of Middle Class Tax Cuts: child tax credit, marriage penalty relief and reduction in income tax rates for taxpayers with incomes below \$250,000 (permanent extension)
 - 4. The 2009 estate tax exemption and rate (2 year exemption)
- Require any future extension of tax cuts for the top 1% of wealthy income earners to be offset.
- Establish an enforcement mechanism: a sequester in non-exempt mandatory programs at the end of the year if Congress has not "paid for" the costs of all legislation enacted during the year. Certain designated programs are exempt from the sequester, including:
 - 1. Social Security
 - 2. Medicaid
 - 3. Food Stamps
 - 4. Other programs targeted at low-income populations

Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the U.S. House of Representatives.

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